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GENERAL

1. USSR reportedly renews offer of arms and economic aid to Egypt:

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Comment: Previous Soviet offers of arms and technical aid have been turned down by the Egyptian government. [redacted] the USSR may be trying to take advantage of Egypt's resentment over the Turkish-Iraqi pact and over its inability to get from the United States and Britain the military equipment Cairo wants.

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The USSR is not known to have delivered arms outside the Sino-Soviet bloc, but it has reportedly expressed willingness to furnish them to several non-Communist countries, including Syria, India, and Burma. In addition, Czechoslovakia has sold small arms to Egypt and to other countries. Considerable further negotiation would be required before conclusion of any firm Soviet-Egyptian arms deal, with the Egyptians probably refusing to admit Soviet personnel to instruct Egyptian officers in the use of the weapons.

SOUTHEAST ASIA



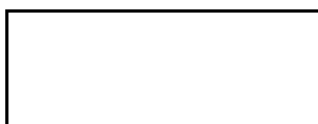
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3. Position of pro-Western Burmese leader reported deteriorating:

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Minister of Industries Kyaw Nyein is [redacted] losing out to Defense Minister Ba Swe in his struggle for a dominant position among Burmese leaders. [redacted]

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[redacted] some of Kyaw Nyein's supporters are preparing to desert him, although they fear to do so openly. [redacted]

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Comment: Kyaw Nyein and Ba Swe are the two most powerful leaders of the Burma Socialist Party, which dominates the government coalition. Although they generally co-operate on government policy matters, they have long been rivals for the premiership, from which U Nu is expected to retire after the 1956 elections.

A loss of influence on the part of the outspokenly anti-Communist Kyaw Nyein would probably accelerate Burma's trend toward closer relations with the Sino-Soviet bloc. Although Ba Swe in recent years appears to have moderated his leftist views, his orientation with respect to the East-West conflict is uncertain.

NEAR EAST - AFRICA

4. Ben-Gurion seen assuming Israeli prime ministership again:

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The Israeli ambassador to the United States, Abba Eban, told Ambassador Lawson on 26 May that he believes Defense Minister Ben-Gurion will become prime minister again after the elections in late July.

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Eban made this statement after a full day of discussions with Ben-Gurion, Prime Minister Sharett and other top Israeli officials. Eban described Ben-Gurion as seeking and enjoying the political activity he gave up a year ago for a "cloistered" life in the Negev desert."

Comment: Ben-Gurion's return to the prime ministership is quite possible in view of the difficulties that his protégé, Prime Minister Sharett, has had with the cabinet on high policy matters, particularly Arab-Israeli relations.

Under Ben-Gurion's leadership, Israel would be likely to pursue the tough policy toward the Arabs for which he is noted and which has partially replaced the moderation of Sharett since Ben-Gurion returned to the cabinet.

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EASTERN EUROPE

6. Hungarian security police increase terror tactics:



The American legation in Budapest has noted a sharp increase in the use of terror and intimidation tactics by the Hungarian security police since early May. Police have arrested at least four Hungarians who had previous connections with the legation or its employees, and are intimidating local citizens who visit the legation to receive news bulletins. Callers at the British legation are receiving similar treatment.

The legation believes that these and other reported arrests elsewhere in the country are part of a campaign to eliminate remaining support for ousted premier Nagy and to restore tighter political control over the population.

Comment: The intimidation of Hungarians in contact with the American legation is probably part of the anti-American campaign which has been increasing in intensity since February. The legation has anticipated for several weeks that it may be implicated in a trial of a Hungarian employee of Associated Press in Budapest, arrested last February.

Both the anti-American campaign and the use of terrorist police methods, which has been played down throughout the Soviet Orbit since Stalin's death, may be considered necessary by the regime to strengthen its control in the face of widespread popular and party disaffection, which was probably intensified by the purge of Nagy.

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